

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Rate Adjustment Due to Extraordinary
or Exceptional Circumstances

Docket No. R2013-11

PRESIDING OFFICER'S INFORMATION REQUEST NO. 13

(Issued May 30, 2014)

On May 15, 2014, the Postal Service filed a response to Order No. 2075 containing its initial report of the amount of exigent surcharge revenue collected for the fiscal year (FY) quarter ending on March 31, 2014. To clarify the amount of exigent surcharge revenue collected, the Postal Service is requested to provide written responses to the following questions. Answers should be provided no later than June 6, 2014.

1. Please refer to Excel file "ExigSrchgRevFCM(2Q14).xls", tab "Outstanding [sic] Forever Stamp Adj.". The Postal Service calculates an adjustment (PIHOP Adjustment) to the amount of surcharge revenue accrued through FY 2014, Quarter 2, to account for Forever stamps purchased before January 26, 2014 that the Postal Service estimates will be used during the period the exigent surcharge is in effect.
 - a. Please provide workpapers showing the derivation of the estimate of the number of Forever stamps purchased before January 26, 2014, and not yet used.

- b. Please confirm that although the PIHOP Adjustment was applied to First-Class single-piece letters, it is intended to reflect all Forever stamps purchased before January 26, 2014 that the Postal Service expects to be used during the period the exigent surcharge is in effect.
 - c. Please confirm that some Forever stamps purchased during the period the exigent surcharge is in effect will be used after the surcharge is no longer in effect. If not confirmed, please explain.
 - d. If your response to part c. is confirmed, please provide an estimate of the number of Forever stamps that will be purchased during the period the exigent surcharge is in effect that are expected to be used after the surcharge is no longer in effect. Please provide workpapers detailing the derivation of this estimate and how this effect is incorporated into the Postal Service's calculation of the surcharge revenues.
 - e. Please confirm that the Postal Service tracks the number of Forever stamps sold at each price level. If confirmed, please describe the source or sources of this data.
2. Please refer to Excel file "ExigSrchgRevFCM(2Q14).xls", tabs "Split Quarter" and "Presort". Please confirm that the volumes for Move Update Assessment in workbook tab "Split Quarter", Cells F24 and G24 are not in thousands and therefore workbook tab "Presort", Cell D38 should be 48.292 instead of 48,292. If confirmed, please provide revised workpapers. If not confirmed, please explain.
3. Please refer to Excel file "ExigSrchgRevSTM(2Q14).xlsx", tabs "HD-Sat-CR Revenue@CPI Prices" and "HD-Sat-CR Revenue@Exig. Prices". These tabs show the exigent surcharge revenue calculations for the High Density, Saturation, and Carrier Route mail. It appears that these tabs do not include

revenue calculations for some DFSS Scheme price categories. See Column S in both tabs.

- a. Please explain why some DFSS price categories were excluded from the exigent surcharge revenue calculations for High Density, Saturation, and Carrier Route mail.
 - b. Please file revised Standard Mail workpapers that include all DFSS Scheme price categories in the exigent surcharge revenue calculations for High Density, Saturation, and Carrier Route mail.
4. The following question refers to First-Class Mail and Standard Mail's exigent surcharge revenue workpapers. See Excel files "ExigSrchgRevFCM(2Q14).xls", tab "Branded Color Mobile Tech Prom" and "ExigSrchgRevSTM(2Q14).xlsx", tab "Branded Color Mobile Tech Prom". For the Branded Color Mobile Technology Promotion, the Postal Service's approach is to calculate the total surcharge revenue before accounting for the promotion's discounts, then to subtract the portion of the total value of these discounts related to the exigent rate increase. The Postal Service refers to the resulting amount as the Branded Color Mobile Technology Promotion adjustment. The Postal Service estimates this adjustment using the following formula:

$$Adjustment_{USPS} = D_E * \text{Exigent Percentage Change In Rates},$$

where D_E = the total value of the discounts provided under the exigent rates.

Please answer the following:

- a. Please confirm that the following formula is a more accurate estimate of the promotion's exigent surcharge revenue adjustment (the derivation of this formula is shown in Attachment A to POIR No. 13, question 4):

$$Adjustment_{alt} = D_E - \frac{D_E}{1 + Exigent\ Percentage\ Change\ In\ Rates}$$

If not confirmed, please explain.

- b. Please file revised First-Class Mail and Standard Mail exigent surcharge revenue workpapers that use the formula discussed in part a. of this question to calculate the additional discount value due to exigent rates. Attachment B to POIR No. 13, question 4 shows a hypothetical example of this calculation.

Ruth Y. Goldway
Presiding Officer